MEAT & LIVESTOCK
AUSTRALIA

The Australian Beef Industry

put into perspective

FACT SHEET

Introduction

The purpose of this paper is to illustrate the relationship between the United States (U.S.) and Australian beef industries. This relationship is particularly relevant at a time when the proposed Free Trade Agreement between the U.S. and Australia enters the negotiation phase.

The U.S. beef industry is the world's largest, valued at US$57 billion. It services a large developed western economy and over the last ten years has doubled its export performance to a range of Asian/Pacific countries.

Australia operates a beef production system one-sixth the size of the U.S. and exports approximately US$740 million beef products to the U.S. annually. In dollar terms Australian exports represent approximately 1.2% of the value of the U.S. beef industry.

This paper indicates that Australian imports add value to the U.S. domestic beef industry and provide positive economic gain to the U.S. economy and consumers.

Australian Beef Complements U.S. Beef

Australian imported beef complements U.S. beef production and allows both industries to trade to their competitive advantage.

- Australian beef exports to the U.S. at 0.378 million metric tonnes equate to 4.6% of total U.S. beef production (boneless weight equivalent).
- Australian beef exports to the U.S. are predominately lean manufacturing frozen meat suitable for blending with U.S. fat beef trimmings for beef pattie production.
- Australian lean beef (90 Chemical Lean (CL)) complements U.S. fat trim (50CL) to blend into an ideal U.S. pattie of around 79CL, i.e., 79% lean meat, 21% fat.

- Manufacturing grades of beef exported from Australia constitute over 90% of total shipments (AFFA Export Statistics, 2002)

- The U.S. beef industry is a highly efficient producer of grain fed beef suitable for export markets.

- Hence, the Australian beef industry adds value to the U.S. beef industry, by:
  - Adding value to both domestically consumed and exported table cuts,
  - Adding value to fatty trim (waste).

- Further, all Australian meat plants supplying the U.S. are registered by the Australian Quarantine and Inspection Service (AQIS), under Australian Federal legislation, The Export Control Act. AQIS licenses Australian meat plants to ensure they consistently meet USDA hygiene and inspection standards.
  - Including HACCP plans consistent with the USDA FSIS Mega – Regs.

Mutual Objectives

Australia and the U.S. share similar objectives in Korea, Japan and throughout the Asian/Pacific Region.

- An open market with Australia promotes the complementarity of product uses in the U.S. market (lean and fat trim blend).

- It parallels the objectives we have jointly achieved in North Asia; and,

- It provides a solid foundation for the U.S. and Australia to work together in the World Trade Organization to further drive our common objectives across all beef importing regions.

- Australian beef receives no production or export subsidies, nor subsidized feedstuffs. Australian beef is priced purely on supply and demand.

- By world standards, Australia is a small producer that represents no threat to U.S. domestic interests.

Australia / US Beef Industry – Comparative Statistics

Cattle Numbers

- Australia manages a cattle herd of 28 million head, representing 2.6% of the world cattle population.

- The U.S. manages a cattle herd of 96 million head, representing 10% of the world cattle population.

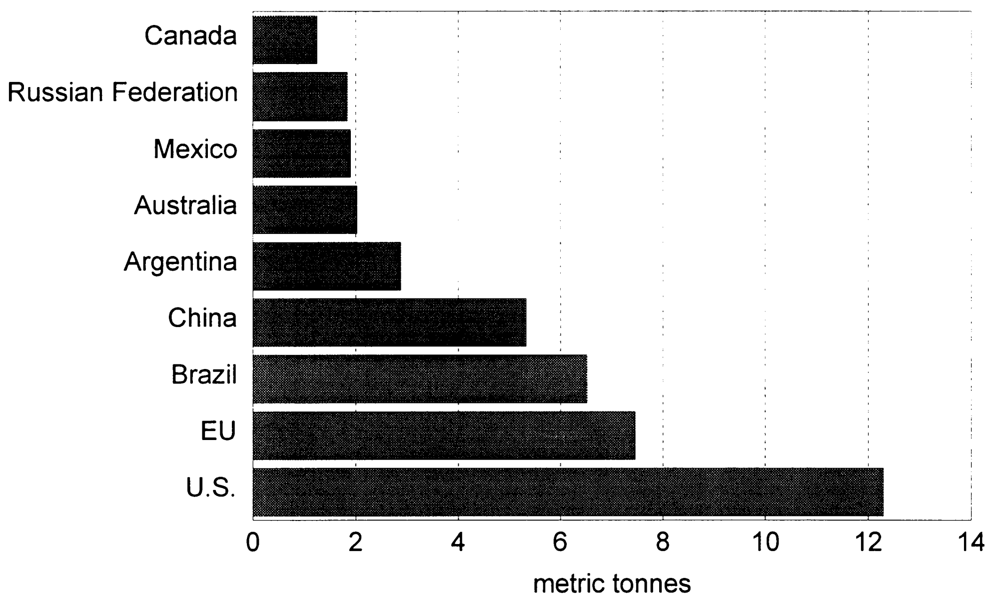
Beef Production

- Australia produces 2.1 million metric tonnes of beef annually, constituting 4% of the world beef supply. (Figure 1)

- The U.S. produces 12 million metric tonnes of beef annually, constituting 25% of the world beef supply. (Figure 1)

- In essence the U.S. has approximately 4 times the cattle and produces 6 times more beef.

Figure 1 – World beef production



Source: USDA

Carcase Weights

- Australian average cattle carcase weight: 578lbs dw (262kgs).

- U.S. average cattle carcase weight: 744lbs dw (337kgs).

- Australian cattle carcase weights are lower, on average than U.S. cattle carcase weights because most cattle are grass fed in Australia; while in the U.S. cattle are primarily grain fed.

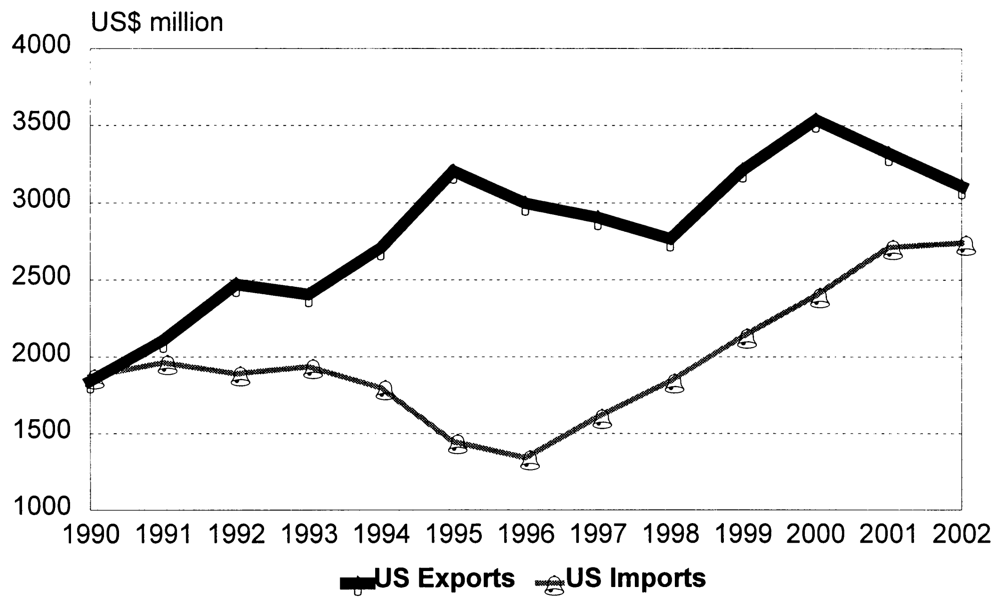
- In Australia, of the 8 million cattle slaughtered annually, approximately 1.9 million cattle are grain fed.

U.S. Beef Exports – Phenomenal Growth

In 1980, the U.S. exported 80,000 metric tonnes of beef worth approximately US$300 million. Today exports are at 1.23 million metric tonnes, valued at US$3.2 billion (includes variety meats) – a 10-fold increase in 20 years (Figure 2).

- U.S. beef exports in 2003 are forecast to reach record quantities (Cattlefax).
- U.S. beef exports contribute an additional US$1.2 billion to overall cattle prices to producers (Cattlefax).
- Despite a 35% drop in U.S. beef exports to Japan (following BSE) overall U.S. exports were only down 3% on the record levels of 2000 – 2001 (USDA International Meat Review Vol. 7 No. 05).
- By value, the U.S. is a net exporter of beef.

Figure 2 – Value of U.S. beef imports and exports



Source: USDA

U.S. and Australian World Beef Trade

The U.S. and Australia have similar export goals and outcomes as beef producers and exporters.

- Approximately only 12% of world beef supply is traded.
- The U.S. has a 19% share of world beef trade and
- Australia has a 25% share of world beef trade.

U.S. and Australian Beef Trade to Japan

The Japanese import beef market reached a peak of 720,000 metric tonnes pre-BSE (2000), of which the market was largely split between the U.S. (48% share) and Australia (46% share).

U.S. and Australian Beef Trade to Korea

The U.S. and Australia have both benefited from the Korean import beef market, which has been open since 1988, however, it has only in recent years transformed from a government controlled tender system to an open market.

- The U.S. had a majority (57%) share of the 181,000 metric tonnes (2001) Korean beef import market compared to Australia's 32% share.
- In 2002, the total import figure stood at 314,000 metric tonnes, a staggering 42% increase over 2001, with the U.S. share at nearly 70% (up from 57% in 2001).

U.S. Domestic Impact

Australian beef imports have a minimal impact on the U.S. domestic market, and if fact, imports add value to the US economy.

- Recent USDA figures indicate the U.S. population over the last 5 years has grown 7% or 19 million.
- Cattlefax claim that beef demand over the last 5 years has increased 10%.
- Combining population growth and demand increases for beef provides further evidence that Australia will not likely cause harm to the U.S. beef industry.

An independent study undertaken by respected U.S. analysis body, Sparks Companies, Inc., concluded that:

- A 100 million lb increase in beef imports (all sources) could result in US$0.38 per cwt decrease in U.S steer price;
- While a 100 million lb increase in U.S. beef exports could result in US$0.32 per cwt increase in steer U.S. price;
- A virtual zero sum equation
- Interestingly, the same study has forecast U.S. beef production to decline by 400 million pounds in 2003, which it is estimated, should result in an improvement in the U.S. steer price in the magnitude of US$2.26 per cwt;
- Additionally, the positive effect from beef imports on the US economy as a result of employment and benefits to the trade and consumer, ranges between US$300 million and US$1.4 billion per year (SCI, 2003);
- U.S. beef export growth is expected to be double any import growth in the near future (SCI, 2003); and,
- SCI concluded that beef imports complement U.S. beef exports and the better utilization of domestic trim, in addition to benefits to the U.S. economy and community.

Concluding Point

Australia supplies the U.S. the approximate equivalent of four hamburgers out of every 100 consumed. The Australian beef industry wants to continue to supply the U.S. free of market distortions and potentially provide beef, driven by customer demand, to help produce the fifth hamburger.

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